

# MAPLELEAF EDU (1317.HK)

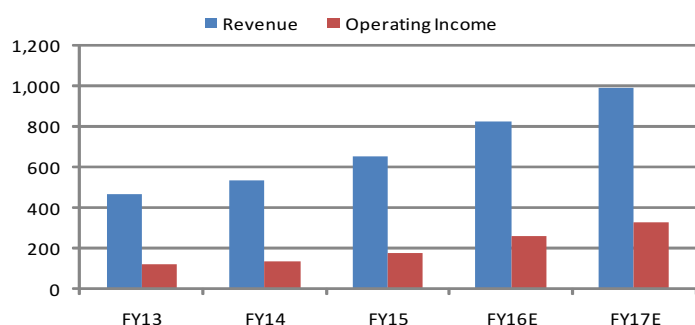
## Stable Profit Growth and Bright Prospect Hong Kong | Real Estate | Company report

6 MAY 2016

### Significant Growth in Main Financial Indicators

In the FY2015 the company's income totaled RMB653 million, growing by 20.9% over last year. This growth is mainly attributed to RMB87.8 million, the increase in revenue from tuition, as well as RMB10.3 million, the increase in revenue from summer and winter camps. The gross profit for the year stood at RMB298 million, with a gross profit margin of 45.7%. Also, the adjusted net profit for the year reached RMB185 million, up 45.8%. In the six months ended 29 February 2016, the company's revenue reached about RMB380 million, an increase of 26.7% over the same period last year. The adjusted net profit was RMB117 million, rising by 69.7%. The company announced an interim dividend of HK\$0.042 per share.

### Revenue and operating profit trend



Source: Bloomberg, Phillip Securities (HK) Research

### Increase in the Number of Students Enrolled and Tuition

In the FY2015, tuition remained the dominant source of revenue, and amounted to RMB555 million, a YoY increase of 18.8%, representing 84.9% of total revenue. The rise primarily resulted from the increase in student enrollment. On the other hand, the average tuition was RMB37,483 per person, witnessing no major changes. As of 31 March 2016, the total number of students enrolled in the company stood at 19,353, soaring by 20.4% from 16,078 students on 30 June 2015. Additionally, in the 2015/2016 school year, the company also increased the tuitions of some schools. Accordingly, in the six months ended on 29 February 2016, the average tuition per student in the company saw an increase of approx. 6.6% over the same period last year. It is expected that the company's results will be steadily enhanced as steady growth of the number of students enrolled and the increase in tuition income.

### Accumulate

CMP: HKD 5.93  
(Closing price as at 4 May 2016)  
TARGET: HKD 6.24

### COMPANY DATA

O/S SHARES (MN) :	1359.68
MARKET CAP (HKDMN) :	8,158.1
52 - WK HI/LO (HKD):	6.32/1.63

### SHARE HOLDING PATTERN • %

Sherman Investment Holdings Limited	54.17
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### PRICE PERFORMANCE • %

	1-Month	3-Month	1-Year
Mapleleaf Edu	29.17	58.97	128.78
HSI	28.3	51.19	155.26

### PRICE VS. HSI



Source: Phillip Securities (HK) Research

### KEY FINANCIALS

RMB mn	FY14	FY15	FY16E	FY17E
Revenue	540.3	653.0	829.6	995.5
Net Profit	135.1	185.8	250.5	310.5
P/E, x	250	31	25	21
EPS, HKD	0.02	0.16	0.2	0.24
P/B, x	15.16	6.1	3.3	3.2
BVPS, HKD	0.77	3.76	1.49	1.62
ROE, %	8.6%	11.3%	13.3%	15.1%

Source: Company reports, Phillip Securities Est.

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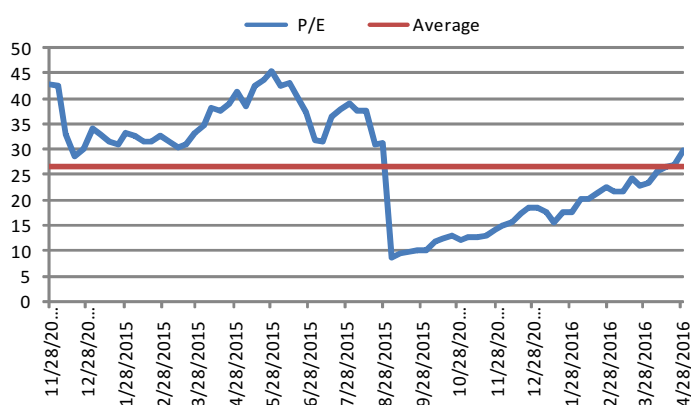
## Various Measures Boost Earnings Growth

Future growth of the company depends on the continuous increase in students enrolled to receive K-12 education and services. In addition to the natural growth of existing school network, the company will keep cooperating with the government or local property developers. Besides, it will open more schools in an asset light model. Specifically, in the future, the company will build 18 new schools (from kindergarten to high school), and increase the number of students by 54% from 26,090 in FY2015 to 40,290 in FY2018. In addition asset light development, the company is also considering setting up or acquiring schools at home and abroad. At present, other education services revenue accounts for about 15% of the company's revenue. In the future, the company will also enhance incidental earnings by broadening services.

## Valuation and Rating

With the increase of China's household income, parents are more ready to send their children to study abroad, coupled with the favorable support of the universal two-child policy, the market of international schools will be further expanded. As China's largest international educational institution, Mapleleaf Edu will benefit from this growth of demand in education market. Additionally, the company also intends to achieve its growth target by means of multiple expansion strategies, such as the increases in the capacity of certain existing schools, ramp-ups of the utilization of new schools, and asset light expansions and acquisitions. On this basis, we expect the company's future profitability will be significantly improved. Therefore, we give the company the 12-month target price of HK\$ 6.24, equivalent to 26X and 22X the 2016/2017 expected P/E ratio and "Accumulate" rating is given. (Closing price as at 4 May 2016)

### Historical P/E valuation



Source: Bloomberg, Phillip Securities (HK) Research

## Risk Warnings

- Changes in China's education policy;
- Changes in international educational needs;

## Financials

FYE	FY13	FY14	FY15	FY16E	FY17E
<b>Valuation Ratios</b>					
Price Earnings(P/E)	125	250	31	25	21
Price to Book(P/B)	0.86	0.77	3.76	3.36	3.09
<b>Per share data(RMB)</b>					
EPS,Adjusted	0.04	0.02	0.16	0.20	0.24
Book Value Per Share	5.80	6.49	1.33	1.49	1.62
Dividends Per Share	0.00	0.00	0.06	0.10	0.12
<b>Growth &amp; Margins(%)</b>					
<b>Growth</b>					
Revenue	14.0%	14.7%	20.9%	27.0%	20.0%
Operating income	-1.4%	11.5%	30.3%	43.3%	26.1%
Net profit	-64.7%	20.7%	413.4%	21.9%	24.0%
<b>Margins</b>					
Gross profit margin	43.0%	43.5%	45.7%	48.0%	50.0%
Operating profit margin	26.5%	25.8%	27.8%	31.4%	33.0%
Net income margin	7.0%	7.4%	31.5%	30.2%	31.2%
<b>Key Ratios</b>					
ROE(%)	8.3%	8.6%	11.3%	13.3%	15.1%
ROA(%)	2.0%	2.1%	8.5%	8.6%	9.8%
<b>Income Statement(RMB mn)</b>					
<b>Revenue</b>	471	540	653	830	995
- Cost of Goods Sold	269	305	354	431	498
<b>Gross Income</b>	202	235	299	398	498
- Operating Expenses	77	96	126	138	169
<b>Operating Income</b>	125	139	182	260	329
- Net Non-Operating Losses (G)	69	75	-35	-35	-35
<b>Pretax Income</b>	41	48	217	285	354
- Income Tax Expense	8	8	11	35	43
<b>Net profit</b>	33	40	206	250	311

Source: Company, Phillip Securities (HK) Research Estimates  
(Financial figures as at 4 May 2016)

**PHILLIP RESEARCH STOCK SELECTION SYSTEMS**

Total Return	Recommendation	Rating	Remarks
>+20%	Buy	1	>20% upside from the current price
+5% to +20%	Accumulate	2	+5% to +20% upside from the current price
-5% to +5%	Neutral	3	Trade within $\pm 5\%$ from the current price
-5% to -20%	Reduce	4	-5% to -20% downside from the current price
<-20%	Sell	5	>20% downside from the current price

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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